## STATE APPEAL BOARD

In Re:	Story County	)	Order
	Budget Appeal	)	
	Request for Rehearing	)	
	FY 1999-2000	)	July 28, 1999

Before State Auditor, Richard D. Johnson; State Treasurer, Michael L. Fitzgerald; and the Director of the Department of Management, Cynthia P. Eisenhauer:

On June 25, 1999, the State Appeal Board, in response to an appeal against the FY1999-2000 Story County budget, ordered certain changes in the County's budget. The petitioners timely requested a rehearing of the State Appeal Board Order regarding certain issues. Based on the information submitted in the petitioners' request and after reviewing both the petitioners' and the County's original information, the State Appeal Board denies the petitioners' request for rehearing for the reasons described herein.

# Land Use and Animal Control Expenditures

The State Appeal Board agrees with the petitioners that the Board has the authority to determine issues on appeal. In its Request for Rehearing, the petitioners ask the State Appeal Board to rule on the issue of whether the animal control and land use programs should be paid from the Rural Services Fund, as budgeted by the County. The State Appeal Board ruled on this issue by sustaining the land use and animal control budgeted expenditures in the Rural Services Fund.

Section 331.421(2) defines rural county services as those services "...which are primarily intended to benefit those persons residing in the county outside of incorporated city areas..." (emphasis added). The petitioners argue that the land use program benefits all residents of the county, and they offer examples of annexation and job creation for city residents, which they believe, support their opinion. The State Appeal Board does not dispute that there may ultimately be some benefit to city residents, but in this case these services primarily benefit those residing outside the incorporated areas. The land and use program helps preserve the rural nature of the area and protects rural citizens from haphazard and unsafe building practices. Further, the larger communities have their own land use (zoning) programs. Finally, the increases in expenditures for this program were justified for salary increases, the new position for GIS services, software, and GIS computer equipment.

A similar conclusion can be drawn on the animal control expenditures. The additional exhibits submitted by the petitioners are not persuasive in justifying a change in the Order. In fact, the article regarding the animal shelter indicates that a number of the cities in the County have their own animal control departments and residents of those cities should contact their police department for assistance. Others cities contract with the County for these services. Any reimbursements received from these cities for this purpose must be placed in the Rural Services Fund if the expenditures are paid from the Rural Services Fund. In addition, the increase in expenditures for animal control is justified because of the increase in the number of animals serviced. If the numbers increase, the County is justified to increase staff to provide these services.

## **Local Option Sales and Services Tax Property Tax Relief**

The petitioners believe the County did not use 60% of Local Option Sales Taxes (LOST) for property tax relief. The State Appeal Board has previously stated that there is no standard definition for the term "property tax relief". However, the petitioners contend that the maximum property tax that can be levied is limited to \$3.95 per \$1,000 of assessed valuation minus the amount of LOST designated for property tax relief. This is not accurate. Each county may, as provided in Section 331.424(2), levy beyond \$3.95 per \$1,000 of assessed valuation for specific services, such as employee benefits. In this case, employee benefits could be paid from a rural services supplemental levy (beyond the \$3.95 per \$1,000 of assessed valuation basic levy), totaling more than \$250,000. This exceeds the \$37,446 which the petitioners allege is being levied beyond the allowable maximum levy.

#### Mental Health

The petitioners argue that the State Appeal Board should reconsider its decision regarding the mental health issue because of "...procedural flaws during the appeal hearing and established precedent."

The petitioners request that the comments of the 25 persons who spoke at the hearing who were Human Services and Mental Health advocates be stricken from the record. The petitioners believe these persons were not a proper party to the appeal, did not file a request to intervene, were not granted intervention status, took away from the County's and petitioners' time to present their cases, and their testimony was irrelevant, immaterial and unduly repetitive. At the hearing, the hearing panel viewed these persons as "interested citizens" and not interveners or part of the County's presentation. The time used by these citizens in no way reduced the County's or petitioners' time to present their concerns. Neither the County nor the petitioners were restricted to thirty minutes of testimony. These were suggested time limits, but the hearing officer also indicated that if either party needed more time, they would receive it.

The State Appeal Board recognizes the "citizens" comments were directed to sustaining budgeted mental health expenditures, but the State Appeal Board also recognizes the petitioners did not ask for an expenditure reduction. The issue was the size of the ending fund balance. The State Appeal Board followed established precedent in considering the County's initiative to significantly reduce property taxes, which is a key element of reducing the ending fund balance. The State Appeal Board has consistently held that where significant reductions in ending fund balances are warranted, the reductions need not all be made in one year. Continuation of current services and taxing levels should result in an orderly reduction of the ending fund balance within a reasonable time period. The ending fund balance and taxing level are also subject to appeal in future years.

## Order

The State Appeal Board believes that adequate "reasons for decisions" were contained in its Order on the Story County Budget Appeal for FY1999-2000. However, in the interest of further explanation, for the reasons cited above, the State Appeal Board denies the petitioners' request for a rehearing.

## STATE APPEAL BOARD

Richard D. Johnson

Chairperson

Michael L. Fitzgerald Vice Chairperson

Cynthia P. Eisenhauer

Member